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SUBJECT: EUROPEAN DONORS ON WORKING WITH THE MAOISTS

Classified By: Ambassador James F. Moriarty, Reasons, 1.4 (b/d).

Donors Should Treat Maoist Government Equally

¶1. (SBU) During a May 24 meeting among international donors, DFID-GTZ Risk Management Officer Dan Huntington presented a paper on Suggested Development Approaches that argued that there were two governments in existence and that donors should treat them equally. His paper acknowledged that "the development agencies should focus on a return to 'one government,'" and that development had a major capacity to "do harm" by perpetuating two governments. That said, it also recommended that donors should "recognize the ground reality that rural Nepal is divided between Maoist government and non-Maoist government." He asserted that donors have to deal with the Maoists, even though he admitted that "the act of coordinating with Maoists tends to boost their legitimacy and authority."

¶2. (C) Some of the European donors, notably Switzerland and the UK, seem very sympathetic to the formal involvement of the Maoists in development activity design/implementation. Their view is that they must deal with the government on the ground and that, in most rural areas of Nepal today, the only government on the ground is the Maoist government. These donors advocate that donor-funded development projects should be politically neutral - implicitly conferring on the Maoists the same degree of legitimacy as the seven-party alliance government. They advocate avoiding angering the Maoists in order for the latter to allow development and join the mainstream. There was a general consensus of donors at the May 24 meeting to remain engaged, i.e., doing development programs in rural areas and involving local communities as much as possible. The collective hope was that the cease-fire code of conduct would widen development space and reduce extortion.

"Maoist Government" Documents

13. (SBU) The donor group distributed documents concerning Maoist government "Highlights of Policy and Programs" that have been received from "Dolakha District People's Government" and the "Ramechhap-Kavre District People's Government," both in the "Tamang Autonomous Republic Region" (to the east of Kathmandu). (We have also heard of a similar paper from the "Magarat Autonomous Region" (Rolpa and Rukum Districts in the midwest)). The reports set forth tax rates and budgets for the districts. The May 15th program launched in Dolakha stated that the Maoists would allocate 60 percent of their budget to defense; the Ramechhap-Kavre District People's Government planned to spend 32 percent of its income on defense and security. Each of the Maoist districts said it would expend about half of the amount allocated to security on development works, which includes education, health, etc.

14. (C) Huntington reported that Maoist demands on development projects these days were not very high and were mostly for assistance in photocopying materials to promote Maoist rallies. According to Huntington, Maoists were seen openly these days, usually without weapons. They were very visible in district headquarters - in civilian dress - establishing so-called student wing offices. Some donors speculated that Maoist regional interests might be diverging somewhat from Maoist central policy. The group noted that state security force morale was very low. Several commented that there had been a worrisome deterioration of law and order.

Comment

15. (C) At the same time as they contemplate working with the Maoists on development projects, some European donors, as well as the UNDP, are telling the GON to go slowly on pushing development in the countryside, until the Maoists are brought on board. This approach strikes us as being very dangerous. Development occurs in a political context. This is especially true in a fragile, transitional country like Nepal. Treating the Maoists as equal to the government, while not providing additional assistance to the government, would increase the difficulty of democracy taking root and could lead to a brutal, totalitarian regime.

MORIARTY